

**COMMUNICATION FROM SWITZERLAND**

GATS 2000: Telecommunications

The attached communication has been received from the delegation of Switzerland with the request that it be circulated to Members of the Council for Trade in Services.

**I. INTRODUCTION**

1. Telecommunication services are a key infrastructure for the economic development of virtually all the sectors. But they represent also a growing sector of its own, that tends to generate an increasing share of overall value-added activities in our economies. Telecommunication services are a source of welfare, both from a national point of view as well as in global trade. With telecommunication prices decline as a result of both technological innovation and deregulation, the telecommunication sector tends to generate benefits for all participants, and to contribute efficiently to the integration of the remote regions and of disfavoured groups. We believe that further negotiations in the telecommunication sector under the GATS have the potential of strengthening the world trading system and the GATS in particular.

**II. SWITZERLAND'S EXPERIENCE AND LESSONS THEREFROM**

2. Switzerland has liberalised its telecommunication market since January 1, 1998. Only three and a half years of competition in the telecommunication sector have brought consumers and business substantial benefits. From June 2000 to January 2001, Switzerland experienced a 17.5% increase in digital communication. In the first nine months of 2000 a growth rate of 40% has been registered for mobile communication. In the first ten months of 2000 fix-line communication prices decreased by 16.8%. Between November 1999 and November 2000, mobile telecommunication prices decreased by 22.4% for business use. Nowadays, more than 280 operators are licensed and active in the telecommunication sector in Switzerland, in addition to the former monopolistic State provider. Their market share accounts for 30%, whereby the former state provider Swisscom could maintain a 70% overall market share (65% in the mobile telecommunication sector).

3. Switzerland's success in the liberalisation of the telecommunications market lies in a number of factors, including a streamlined numbering practice, carrier pre-selection, interconnection prices based on the Long Run Incremental Cost (LRIC) since 1.1.2000, interconnection guaranties, transparency, availability of a credible arbitration procedure, the establishment of an independent regulator. Furthermore, universal service obligations have been imposed and funded on a competition friendly manner, and competition enhancing allocation methods for radio frequencies (Wireless Local Loop, UMTS) have induced a lively competition and promoted long term investment in new technology.

4. The Swiss experience shows that an efficient telecommunications market is a promising source of growth for the national and the global economy. However, a vital precondition for an efficient telecommunication market is a clear and predictable regulatory environment: the development and rapid technological changes in the telecommunication sector require enormous amounts of investments. Bandwidth, for instance, is a key factor for a successful development of the new economy, but also a very costly one. Operators are only able to make such long-term investments if they face clear and predictable rules to guarantee open and competitive markets. Switzerland strongly believes that a regulatory environment that is not only open, but also reliable, is key to the development of the telecommunication sector, and hence of the whole economy.

### **III. EXISTING COMMITMENTS AND BARRIERS**

5. The present level of commitments under the GATS in the telecommunication sector is fairly high. They cover a very high share of the overall trade volume. As the Secretariat explains in its background note S/C/W/74, 89 WTO Members had included telecommunications services in their schedules of commitments as of November 1988, whilst basic telecommunications were included in the commitments of 83 WTO Members and value-added telecommunications had been taken by a total of 70 Members.

6. In terms of the extent of market access commitments under the different modes of supply, fewer limitations were listed with respect to value-added services for all modes of supply. For cross-border supply of value-added telecom services between 31 and 37 per cent of the Members that undertook specific commitments listed no limitations, whereas for the basic services only 12 to 20 per cent committed fully with no limitations. With respect to consumption abroad, value-added services were listed with no limitations by between 44 and 51 per cent of Members that undertook commitments, while the corresponding figure for basic telecommunication services ranged between 31 and 49 per cent. Likewise, commercial presence for value-added services was fully liberalised without limitation in 17 to 21 per cent of commitments, but only in 9 to 11 per cent of Members that undertook commitments listed no limitations for basic telecommunication services.

7. As regards the types of market access limitations most commonly listed in Members' lists of commitments, they regard principally limitations on the number of suppliers, restrictions on type of legal entity and limits on the participation of foreign capital. Other existing limitations regard restrictions pertaining to the existence of a monopoly on infrastructure and infrastructure-based telephony, restrictions on resale or leasing of infrastructure capacities etc. Furthermore, many Members maintain specific limitations for services provided based on specific technologies such as satellite-based or radio-based telecommunication.

### **IV. PROPOSAL**

8. Switzerland aims at deepening and broadening the existing commitments in the telecommunication sector. As the description of existing commitments reveals, there are still a great number of restrictions in the existing schedules and Members should work towards their elimination as a matter of priority. Furthermore technology neutral commitments should be sought, as well as full adherence to the Reference Paper on Regulatory Principles for Basic Telecommunications.

9. Clear and predictable commitments are essential for the business sector to be able to make the right decisions. In order to have commitments, whose value is not dependent on applicable technology, commitments must be formulated in a technologically neutral way. We support therefore that commitments in the telecommunication sector are interpreted in an extensive manner and incorporate technological developments such as Internet-based services.

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